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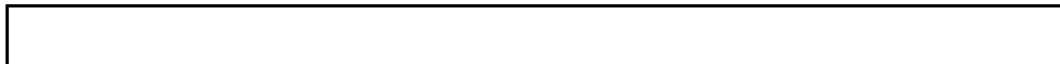
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Lisbon Worried About Separatist Movement
in Azores

Portuguese leaders are expressing increased concern over the popular support enjoyed by the separatist movement in the Azores, according to the US embassy in Lisbon. The islands are an important bargaining chip in Portugal's relations with the US and perhaps its greatest source of leverage with the West. These considerations are expected to weigh heavily in determining how Lisbon will respond.

On July 25, the military governor of the Azores, General Magalhaes, reportedly "shocked" the armed forces general assembly when he stated that there is a real danger of Azorean independence. He reportedly told the assembly that:

- The majority of the population in the Azores supports independence.
- The majority of the Portuguese military on the islands is also sympathetic.
- Establishment of a governing board for the Azores composed of leftists will be met with violence.
- The Azoreans identify more with the US than with Portugal.

The purpose of General Magalhaes' visit to Lisbon was to convey Azorean demands for self-rule. Lisbon is reportedly considering a governing board for the islands headed by General Magalhaes. While Magalhaes is extremely popular in the islands, it is feared by the

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Azoreans that Portugal's radical leadership will try to appoint a majority of local communist sympathizers and leftist nationalists to the board. Such a move would almost certainly be met by a storm of protest and could conceivably trigger a move for independence.

With their other problems, the Portuguese leaders have had a hard time concentrating on the Azores. However, the Ministry of Social Communications recently issued a statement criticizing Portuguese press treatment of the Azores and recommending that press facilities be upgraded there in order to provide more accurate reporting on the situation. The popularly-elected constituent assembly has also appointed a commission to study constitutional autonomy measures for both the Azores and Madeira, and a team from the Armed Forces General Staff has confirmed that Azorean complaints of unequal economic treatment are justified.

While Lisbon's reaction to the new demands conveyed by Magalhaes is not known, it seems unlikely that the new radical leadership will be willing to go that far. With the independence movement gathering momentum daily, however, it may soon have to be confronted, militarily or otherwise.

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British Anti-Inflation Measures Get Short-term
Boost

The Labor government will win some much needed support for its anti-inflation program at the annual conference of the Trade Union Congress in September. Long-term union cooperation on wage restraint, however, is contingent upon progress in reducing the rate of inflation as well as holding unemployment in check. The first test will come in October when major contract negotiations get underway.

The US embassy in London reports veteran observers of the labor scene are hopeful that, at least in the short run, the government's anti-inflation policy will be effective. They believe that the mood of many workers is more serious than it has been in years and that the spectre of mounting unemployment--already at a 35-year high--has had a sobering effect. Nevertheless, union leaders can support wage restraints for a prolonged period only at the risk of losing the backing of the rank and file. A moderation of union militancy will depend on the success of the government's program to reduce prices. If the rate of inflation is not cut significantly, union cooperation with the government is likely to revert to confrontation once again.

Earlier this month the TUC general council voted to accept the government's recommendations for a voluntary ceiling of \$13.20 on weekly wage increases, with a freeze on all incomes in excess of \$18,700 a year. The full government program will be debated and voted upon

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at the September meeting. Individual unions are now preparing their positions, and while the TUC "establishment" is expected to win by a comfortable margin, there may be considerable opposition.

The unions supporting the government's wage policy are those whose memberships include large numbers of lower-paid and unskilled workers who are least likely to be hurt by a flat rate wage ceiling. This group will be led by Jack Jones, the head of Britain's largest union and a key figure thus far in maintaining peace between the Labor government and the trade unions. Opposition to the anti-inflation program will come from unions representing skilled workers and craftsmen, led by the powerful and militant engineers' union. Some civil servants and workers in nationalized industries who have been playing "catch up" with the private sector are also opposed to a flat rate system, which they believe will lock them into an inferior position.

Despite expectations that TUC moderates will sustain their position at the annual meeting, there are still basic divisions between the government and the unions over how to deal with inflation. TUC leaders, for example, view the \$13.20 wage ceiling as both a minimum and a maximum, while Prime Minister Wilson regards the ceiling only as a maximum. The TUC, furthermore, views the restrictive wage policy as valid only for the precise twelve months indicated in the government's white paper. To prolong the policy, in the union view, would wreck the system of wage differentials which has been carefully worked out in various occupations and industries. Speaking for the government, Chancellor of the Exchequer Healey has declared that wage restraint must be followed for several years if the economy is to be stablized.

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ECOSOC Session Previews Seventh Special Session
of UN General Assembly

The even-tempered and even sometimes conciliatory attitude of the developing states in official sessions of the UN Economic and Social Council meetings in Geneva stands in marked contrast to their behavior in informal consultations. ECOSOC, which is supposed to be laying the groundwork for the special session of the UN General Assembly that begins on September 1, adjourns on Friday. In mid-August there will be one more short meeting of a preparatory committee for the special UN session.

During the last week the Group of 77--the caucus of some 100 developing states--has retreated from its support of a controversial draft agenda for the special session. Most industrialized states had rejected the draft as prejudging the outcome of the session and as a replay of the now familiar demands for a "New International Economic Order." The Group of 77--under the leadership of a moderate Pakistani--has now agreed to a mere list of topics for the agenda; the controversial draft will remain only a position paper of the developing-state group.

This outcome reflects the pressures on moderate developing states to find ways to keep the radical developing states from dominating the preparations for the special session. The nonaligned foreign ministers meet in Lima at the end of August and moderate developing states feel that if positions taken by the developed and developing states remain very far apart, the radicals--led by such states as Algeria, India, and Mexico--will force the Group of 77 to adopt a line that

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will be sure to provoke another confrontation with the industrialized states.

In contrast to the plenary sessions, the atmosphere was tense during informal consultations with the EC this week. The radicals--Algeria, Yugoslavia and Romania in particular--sharply lectured representatives of the Nine on the EC's policy, or, as they claimed the lack of one, on the special UN session. Algeria called the stand of the community "too general and lacking concrete proposals." Romania, not even a full-fledged member of the Group of 77, accused the Nine of not having made the basic political decision to be responsive to developing country demands.

Throughout this ECOSOC session Algeria has given the appearance of going along with the moderate majority by remaining relatively silent. The attack on the EC may well represent the beginning of an attempt to show to the moderate developing states that their attempts at conciliation with the industrialized states has achieved nothing.

The Algerian line may again become the rallying cry of the developing countries. Few of the developing countries are yet willing to state publicly that the Algerian approach itself may be counterproductive.

The Algerian attack on the EC is likely to have little impact on the community's policy. The Nine have agreed to a common policy but it is little more than an agreement to consider certain programs to satisfy developing country demands. Because even this agreement took a long time to be worked out and because the work of the community comes to a virtual halt during August new EC initiatives are unlikely.

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On the other hand, the blunt attack will strengthen the resolve of conservative members, such as Germany, to resist the demands of the radical developing states. Such states as France and the Netherlands which are inclined to be the most forthcoming in answering developing country demands are likely to feel reinforced in arguing that it is necessary to strike a deal with the moderate developing states in order to prevent the Algerians from again exploiting the "automatic majority" of the Group of 77 in the UN.

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Norway Moves to Protect Fleet

The Norwegian government is considering ways to ease the financial plight of the country's shipbuilders and shipowners caused by the world shipping slump.

One proposal would establish a fund of \$500-600 million to provide guarantees to private banks on loans for Norwegian ships under construction at foreign yards. In addition, the government may establish a program to help Norwegian shipowners meet current obligations so that much of the existing Norwegian tanker fleet will not have to be liquidated at bargain prices.

As one of the world's leading seafaring nations with a fleet of some 43 million deadweight tons, Norway is extremely vulnerable to the woes of the shipping industry. Shipping accounts for about 10 percent of the gross national product and annual foreign exchange earnings from shipping are usually sufficient to cover the country's commodity trade deficit.

The world tanker glut has had a sharp impact on Norway's tanker fleet, over 90 percent of which is engaged in other countries' trade. Norwegian shipbuilders have also been hard hit. Orders for new ships have plummeted, and extensive cancellations of contracts for ships already on order threaten to idle many of Norway's shipyards.

More than a third of the country's tanker fleet of about 24 million tons is currently laid up; additional ships are idle awaiting cargoes in

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various loading areas in the world and may soon join the laid-up tonnage. Norway's vulnerability to the tanker glut is particularly acute because several of its largest shipowners traditionally have concentrated their assets in the volatile voyage charter market. Thus, they have been the first casualty of the decline in oil liftings.

The measures, if adopted by Oslo, would help Norway's hard-pressed shipowners over the current slump without a catastrophic loss of assets. In addition, Norway's moves may set an example for other governments whose shipping interests are similarly depressed.

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